

REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2009

**REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA**

TABLE OF CONTENTS

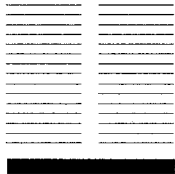
	<u>Page</u>
Officials	1
Independent Auditor's Report	2
Management's Discussion and Analysis	3-7
Basic Financial Statements:	
Statement of Net Assets - Cash Basis	<u>Exhibit</u> A 8
Statement of Cash Receipts, Disbursements and Changes in Net Assets - Cash Basis	B 9-10
Notes to Financial Statements	11-15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	16-17
Schedule of Findings	18-20

REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA

OFFICIALS

JUNE 30, 2009

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Dan Ray	Chairperson	Iowa County
Ray Garringer	Vice-Chairperson	Iowa County
Theresa Phillips	Secretary-Treasurer	City of Williamsburg
Keith Stanerson	Board Member	Iowa County
James Reinhart	Board Member	Iowa County
Al Chipman	Board Member	Iowa County
Jerry Denzler	Board Member	Iowa County
Gary Edwards	Board Member	Iowa County
Marion Conner	Board Member	City of Millersburg
Eddie O'Brien	Board Member	City of Parnell
Kathy Wilhelm	Board Member	City of Ladora
Scott Romine	Board Member	City of North English
Jerry Smith	Board Member	City of Marengo
Alice DeRycke	Board Member	Iowa County Health Department
Richard D. Heller	Director	



Greenwood and Crim, P.C.
Certified Public Accountants

Linda Crim Hopkins, C.P.A.
Steven J. Kuhl, C.P.A.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
and Executive Board
Regional Environmental Improvement
Commission of Iowa County, Iowa
Marengo, IA

We have audited the accompanying financial statements of the Regional Environmental Improvement Commission of Iowa County, Iowa, as of and for the year ended June 30, 2009. These financial statements are the responsibility of the Commission's officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, these financial statements are prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of the Regional Environmental Improvement Commission of Iowa County, Iowa as of June 30, 2009, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2010 on our consideration of the Regional Environmental Improvement Commission of Iowa County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Greenwood and Crim, P.C.

March 15, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Regional Environmental Improvement Commission of Iowa County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of the Regional Environmental Improvement Commission of Iowa County is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

The Commission's operating receipts increased by \$13,013, or approximately 1.83%, from fiscal 2008 to fiscal 2009.

The Commission's operating disbursements increased by \$201,879, or approximately 34.44%, from fiscal 2008 to fiscal 2009.

The Commission's net assets decreased by \$7,619, or approximately 0.39%, from June 30, 2008 to June 30, 2009.

USING THIS ANNUAL REPORT

The Commission has elected to present its financial statements on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U. S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the Commission's cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues, and liabilities and the related expenses are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Commission's cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the Regional Environmental Improvement Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.
- The Statement of Net Assets – Cash Basis presents information on the Commission's net assets, including balances restricted for specific purposes and balances unrestricted and available for operating activities.

- The Statement of Cash Receipts, Disbursements and Changes in Net Assets – Cash Basis presents information on the Commission’s operating receipts and disbursements, non-operating receipts and disbursements and whether the Commission’s financial position has improved or deteriorated as a result of the year’s activities.
- The Notes to Financial Statements provide additional information essential for a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Net Assets – Cash Basis

The Statement of Net Assets – Cash Basis presents the assets and net assets of the Commission at the end of the fiscal year. The Statement of Net Assets – Cash Basis is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the Commission to the readers of the financial statements.

Over time, readers of the financial statements are able to determine the Commission’s financial position by analyzing the increases and decreases in net assets.

		Assets and Net Assets	
		June 30,	
		<u>2009</u>	<u>2008</u>
Assets			
Cash and cash equivalents:			
Restricted		\$1,703,059	\$1,594,190
Unrestricted		<u>258,610</u>	<u>375,098</u>
Total Assets		<u>\$1,961,669</u>	<u>\$1,969,288</u>
Net Assets			
Net Assets:			
Restricted		\$1,703,059	\$1,594,190
Unrestricted		<u>258,610</u>	<u>375,098</u>
Total Net Assets		<u>\$1,961,669</u>	<u>\$1,969,288</u>

The largest portion of the Commission’s net assets (86.8%) is restricted for closure and post closure care costs. State and federal laws and regulations require the Commission to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining net assets (13.2%) are unrestricted net assets that can be used to meet the Commission’s obligations when they come due. Restricted net assets increased by \$108,869 during the year. Unrestricted net assets decreased by \$116,488 during the year.

Statement of Cash Receipts, Disbursements and Changes in Net Assets – Cash Basis

Changes in total net assets as presented in the Statement of Net Assets – Cash Basis are based on the activity presented in the Statement of Cash Receipts, Disbursements and Changes in Net Assets-Cash Basis. The purpose of the statement is to present the receipts received by the Commission and the disbursements paid by the Commission, both operating and non-operating.

Operating receipts are received from gate fees from accepting solid waste and assessments from the members of the Commission. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are from interest on investments and for construction costs. A summary of cash receipts, disbursements and changes in net assets for the years ended June 30, 2009 and 2008 is presented below:

Changes in Cash Basis Net Assets		
	Year Ended June 30,	
	2009	2008
Operating receipts:		
Gate Fees – solid waste	\$ 468,496	\$ 456,028
City contributions	109,248	109,248
County contributions	128,336	128,336
Agriculture income	848	296
Miscellaneous	18,940	18,947
Total operating receipts	<u>\$ 725,868</u>	<u>\$ 712,855</u>
Operating disbursements:		
Salaries and wages	\$ 198,251	\$ 189,498
Payroll taxes	14,571	16,830
Employer share of IPERS	12,386	12,010
Benefits	47,868	40,632
Continuing education	1,795	700
Travel & mileage	154	288
Equipment purchased	204,913	300
Equipment repairs & rental	33,014	34,139
Equipment fuel	19,559	22,852
Recycling & cleanup expenses	20,839	14,527
Engineering fees	14,382	56,573
Lab fees	14,553	10,854
Leachate pumping system	15,576	12,168
Audit	6,000	3,232
Cover material	--	11,862
Insurance	32,359	34,846
Rock & rock hauling	4,723	7,795
Scale house	1,397	84
Electricity & gas	15,849	12,210
Supplies	7,513	7,756
Advertising	1,914	1,555
Waste tire expenses	2,317	677
Monitoring fees	2,000	1,400
Consulting fees: semi-annual reports	7,000	4,600
DNR – tonnage fees	20,139	16,261

Buildings & grounds maintenance	24,963	20,294
ECICOG assessment	7,150	6,941
Legal fees	30,154	17,076
Office supplies and postage	4,871	4,019
Telephone	2,125	2,620
Vehicle expenses	13,534	16,832
Computer programming & expenses	2,850	764
Miscellaneous expenses	<u>3,308</u>	<u>3,953</u>
Total operating disbursements	<u>\$ 788,027</u>	<u>\$ 586,148</u>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	<u>\$ (62,159)</u>	<u>\$ 126,707</u>
Non-operating receipts (disbursements):		
Interest on cash investments – unrestricted	\$ 8,294	\$ 12,683
Interest on cash investments – closure/post-closure care	63,869	78,661
Landfill expansion	(12,563)	(238,693)
Closure costs	<u>(5,060)</u>	<u>(96,132)</u>
Net non-operating receipts (disbursements)	<u>\$ 54,540</u>	<u>\$(243,481)</u>
Change in Net Assets – Cash Basis	\$ (7,619)	\$(116,774)
Change in Net Assets, beginning of year	<u>1,969,288</u>	<u>2,086,062</u>
Change in Net Assets, end of year	<u>\$1,961,669</u>	<u>\$1,969,288</u>

In fiscal year 2009, operating receipts increased by \$13,013, or approximately 1.83%, from fiscal 2008. This increase was primarily a result of more gate receipts. In fiscal 2009, operating disbursements increased by \$201,879, from fiscal 2008. The increase was primarily due to the purchase of a new track loader. The Commission is currently involved in a legal dispute with the DNR, therefore legal fees have significantly increased.

LONG-TERM DEBT

At June 30 2009, the Commission had no outstanding long-term debt.

ECONOMIC FACTORS

The Regional Environmental Improvement Commission continued to maintain its operating financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- Facilities require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated, presenting an ongoing challenge to maintain up-to-date technology at a reasonable cost.

- Annual deposits required to be made to closure and post-closure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Commission anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional information, contact the Regional Environmental Improvement Commission of Iowa County, P.O. Box 371, Marengo, IA 52301.

BASIC FINANCIAL STATEMENTS

REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA

Statement of Net Assets - Cash Basis

June 30, 2009

ASSETS

Cash and cash investments:

Unrestricted

\$ 258,610

Restricted

1,703,059

Total Assets

\$ 1,961,669

NET ASSETS

Unrestricted net assets

\$ 258,610

Restricted for closure/post-closure care

1,703,059

Total Net Assets

\$ 1,961,669

See Notes to Financial Statements.

**REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA**

Statement of Cash Receipts, Disbursements
and Changes in Net Assets - Cash Basis

For the Year Ended June 30, 2009

Page 1 of 2

OPERATING RECEIPTS

Assessments:

Iowa County

\$ 128,336

Cities

109,248

\$ 237,584

Gate fees - solid waste

468,496

Agriculture income

848

Miscellaneous income and reimbursements

18,940

Total Operating Receipts

\$ 725,868

OPERATING DISBURSEMENTS

Personnel costs:

Salaries and wages

\$ 198,251

Payroll taxes

14,571

Employer share of IPERS

12,386

Benefits

47,868

\$ 273,076

Continuing education

1,795

Travel and mileage

154

Equipment purchased

204,913

Equipment repairs and rental

33,014

Equipment fuel

19,559

Recycling and cleanup expenses

20,839

Engineering fees

14,382

Lab fees

14,553

Leachate pumping system

15,576

Waste tire expense

2,317

Audit

6,000

Legal fees

30,154

Insurance

32,359

Scale house

1,397

Electricity and gas

15,849

Supplies

7,513

Rock and rock hauling

4,723

Monitoring fees

2,000

Semi-annual reports

7,000

Subtotal

\$ 707,173

**REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA**

Statement of Cash Receipts, Disbursements
and Changes in Net Assets - Cash Basis

For the Year Ended June 30, 2009

Page 2 of 2

OPERATING DISBURSEMENTS (Continued)

Subtotal forward	\$ 707,173
Advertising	1,914
Iowa Department of Natural Resources - tonnage fees	20,139
Buildings and grounds maintenance	24,963
ECICOG assessment	7,150
Office supplies and postage	4,871
Telephone	2,125
Vehicle expenses	13,534
Computer programming and expenses	2,850
Miscellaneous expenses	3,308
	<hr/>
Total Operating Disbursements	\$ 788,027
	<hr/>
(Deficiency) of Operating Receipts (Under) Operating Disbursements	\$ (62,159)
	<hr/>
NON-OPERATING RECEIPTS (DISBURSEMENTS)	
Interest on cash investments - unrestricted	\$ 8,294
Interest on cash investments - closure/post-closure care	63,869
Landfill expansion	(12,563)
Closure costs	(5,060)
	<hr/>
Net Non-Operating Receipts (Disbursements)	\$ 54,540
	<hr/>
Change in Net Assets - Cash Basis	\$ (7,619)
	<hr/>
Change in Net Assets, beginning of year	1,969,288
	<hr/>
Change in Net Assets, end of year	\$ 1,961,669
	<hr/>

See Notes to Financial Statements.

**REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA**

Notes to Financial Statements

June 30, 2009

NOTE 1. REPORTING ENTITY

The Regional Environmental Improvement Commission of Iowa County, Iowa (REIC) is a voluntary joint undertaking of units of government in Iowa County, Iowa, pursuant to the provisions of Chapter 28E of the Code of Iowa.

The REIC was established on May 4, 1971, for the purpose of assisting individuals and communities in Iowa County, Iowa in their efforts to collect, transport, and dispose of solid waste and to otherwise preserve and improve the natural environment of said region. The REIC is further established for the purpose of developing, operating and maintaining sanitary landfill and recycling facilities to carry out the foregoing purpose.

The members of the REIC include Iowa County and the cities of Ladora, Marengo, Millersburg, North English, Parnell and Williamsburg. The governing body of the REIC is composed of seven representatives from Iowa County, one representative from each of the six member cities, and one representative from the Iowa County Health Department. The representatives are appointed by the participating political subdivisions and each has one vote.

For financial reporting purposes, the REIC has included all funds, organizations, agencies, boards, commissions and authorities. The REIC has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the REIC are such that exclusion would cause the REIC's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the REIC to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the REIC. The REIC has no component units which meet the Governmental Accounting Standards Board criteria.

Certain representatives of the REIC governing body are also members of other county and city boards and commissions in Iowa County. Those boards and commissions are not financially accountable to the REIC or the nature and significance of the relationship with the REIC are such that exclusion does not cause the financial statements of the REIC to be misleading or incomplete.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accounts of the REIC are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges. Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Basis of Accounting - The REIC maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the REIC are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated payables for closure and post-closure care costs. Accordingly, the financial statements do not present the financial position and results of operations of the REIC in accordance with U.S. generally accepted accounting principles.

**REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA**

Notes to Financial Statements

June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets and Net Assets - Funds set aside for payment of closure and post-closure care costs are classified as restricted.

NOTE 3. CASH AND INVESTMENTS

The REIC's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The REIC is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The REIC's deposits as of and during the year ended June 30, 2009 were maintained in checking accounts, savings accounts, money market accounts and certificates of deposit.

Interest Rate Risk - The REIC's investment policy does not limit the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and uses of the REIC.

NOTE 4. CLOSURE AND POST-CLOSURE CARE COSTS

To comply with federal and state regulations, the REIC is required to complete a monitoring system plan and a closure/post-closure plan and to provide funding necessary to effect closure and post-closure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year post-closure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and post-closure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of compacted clay and twenty-four inches of soil to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

**REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA**

Notes to Financial Statements

June 30, 2009

NOTE 4. CLOSURE AND POST-CLOSURE CARE COSTS (Continued)

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and post-closure costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in post-closure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the post-closure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes to inflation or deflation, changes in technology, or changes in applicable laws and regulations.

The total costs for the REIC as of June 30, 2009 have been estimated to be \$673,500 for closure and \$1,145,500 for postclosure, for a total of \$1,819,000. The estimated remaining life of the landfill is 5 years. The REIC has established a Closure/Post-Closure Trust Fund in accordance with Chapter 567-113.14(6)"a" of the Iowa Administrative Code to accumulate resources to fund these costs. At June 30, 2009, the balance in this fund was \$1,703,059.

NOTE 5. PENSION AND RETIREMENT BENEFITS

The REIC contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50603-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the REIC is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by state statute. The REIC's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$12,386, \$12,010, and \$10,081, respectively, equal to the required contributions for each year.

NOTE 6. RELATED PARTY TRANSACTIONS

The REIC had business transactions between the REIC and related parties totaling \$5,380 during the year ended June 30, 2009.

NOTE 7. RISK MANAGEMENT

The REIC is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 577 members include various government entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

**REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA**

Notes to Financial Statements

June 30, 2009

NOTE 7. RISK MANAGEMENT (Continued)

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basic rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if sufficient, by the subsequent year's member contributions.

The REIC's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The REIC's annual contributions to the Pool for the year ended June 30, 2009 were \$17,999.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automotive, police professional, and public officials' liability risk up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the pool up to \$100,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The REIC also carries commercial insurance purchased from other insurers for worker's compensation coverage. The REIC assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA**

Notes to Financial Statements

June 30, 2009

NOTE 8. SOLID WASTE TONNAGE FEES RETAINED

The REIC has established accounts for restricting and using those portions of solid waste tonnage fees retained for ground water and waste recycling purposes in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2009, the REIC had \$30,125 of unspent tonnage fees.

NOTE 9. COMPENSATED ABSENCES

REIC employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. Sick leave hours paid upon termination, retirement or death are reduced by one-half and are paid at the then effective hourly rate of that employee. These accumulations are not recognized as disbursements by the REIC until used or paid. The REIC's approximate liability for earned compensated absences payable to employees at June 30, 2009 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 7,354
Sick leave	<u>22,455</u>
Total	<u>\$ 29,809</u>

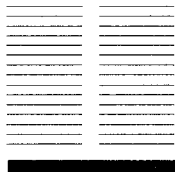
This liability has been computed based on rates of pay as of June 30, 2009.

NOTE 10. LITIGATION

The REIC has filed claims along with several other landfills across the State of Iowa against the Iowa Department of Natural Resources, which challenge the Iowa Department of Natural Resources' administrative rules requiring retroactive changes in the design of landfills and installation of monitor wells to landfill facilities. The retroactive changes require extensive reconstruction of landfill facilities. The REIC and the other landfills are petitioning for judicial review of the administrative rules and are seeking to have such administrative rules be ordered as invalid and unenforceable. At this time it is not possible to determine the outcome of this matter and an estimate of the cost of the REIC to comply with the administrative rules, in the event of an unfavorable decision to the REIC, also is not possible to be estimated. This matter currently is scheduled for trial in the spring of 2010.

NOTE 11. NET ASSET TRANSFERS

As discussed in Note 4, the REIC has established a Closure/Post-Closure Trust Fund to fund certain required closure and post-closure care costs. During the year ended June 30, 2009, the REIC transferred \$45,000 from unrestricted cash funds to cash funds restricted for closure/post-closure purposes. This transfer exceeded the minimum required deposit amount due for the year.



Greenwood and Crim, P.C.
Certified Public Accountants

Linda Crim Hopkins, C.P.A.
Steven J. Kuhl, C.P.A.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
and Executive Board
Regional Environmental Improvement
Commission of Iowa County, Iowa
Marengo, Iowa

We have audited the accompanying financial statements of the Regional Environmental Improvement Commission of Iowa County, Iowa, (REIC) as of and for the year ended June 30, 2009, and have issued our report thereon dated March 15, 2010. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the REIC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of REIC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of REIC's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects REIC's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of REIC's financial statement that is more than inconsequential will not be prevented or detected by REIC's internal control. We consider the deficiency in internal control described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statement will not be prevented or detected by REIC's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the REIC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance and other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the REIC's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the REIC. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The REIC's written responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the REIC's responses, we did not audit the REIC's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the Board of Directors and Executive Board of the REIC, management, members and constituents of the REIC and other parties to whom the REIC may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of REIC during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Greenwood and Curry, P.C.

March 15, 2010

**REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA**

Schedule of Findings

For the Year Ended June 30, 2009

Findings Related to the Financial Statements

Significant Deficiencies

09-A Segregation of Duties

Comment - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that substantially all of the custody of the accounting records and the performance of control procedures are concentrated among two persons.

Recommendation - The limited number of personnel makes it difficult to achieve ideal internal accounting control through the segregation of employee duties. The concentration of closely related duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, and the analysis of financial information by a small staff makes it difficult to establish an ideal system of automatic internal checks on accounting records accuracy and reliability. When this condition exists, management's close supervision and review of accounting information is the best means of preventing or detecting errors and irregularities. We recommend that management and the Board of Directors review the internal control policies and procedures on a regular basis to obtain the maximum internal control possible under the circumstances.

Response - We have some Board members involved in some procedures in our system, primarily approval of invoices for payment. We have implemented several new procedures over the past few years. These new procedures have strengthened controls over cash collections and deposits and bank reconciliations. We will continue to review our operational procedures and segregate duties to the extent possible under the circumstances.

Conclusion - Response accepted.

Instances of Noncompliance

No matters were noted.

**REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA**

Schedule of Findings

For the Year Ended June 30, 2009

Other Findings Related to Statutory Reporting

09-1 **Questionable Disbursements** - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

09-2 **Travel Expense** - No expenditures of REIC money for travel expenses of spouses of REIC officials or employees were noted. No travel advances for REIC officials or employees were noted.

09-3 **Board Minutes** - No transactions were found that we believe should have been approved by the Board and noted in the minutes. The minutes of the Board meetings were published, but not within 20 days of the date of the Board meeting. Annual gross salaries were not published as required by Chapter 28E.6 of the Code of Iowa.

Recommendation - The REIC should ensure that the minutes of all meetings are published within 20 days as required, and annual gross salaries paid to employees are published as required by Chapter 28E.6 of the Code of Iowa.

Response - We will publish the minutes on a timely basis and we will also publish a listing of employees' annual gross salaries as required by Chapter 28E.6.

Conclusion - Response accepted.

09-4 **Deposits and Investments**

Comment - The REIC has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. This matter has been noted in prior year audits.

Recommendation - The REIC should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Response - We completed our written investment policy and it was approved by the Board at the December 16, 2009 Board meeting. We have been following our long-standing unwritten policy of investing our cash only in checking accounts, savings accounts, money market accounts and certificates of deposit in banks solely in Iowa County.

Conclusion - Response accepted.

09-5 **Solid Waste Fees Retained** - During the year ended June 30, 2009, the REIC used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

**REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA**

Schedule of Findings

For the Year Ended June 30, 2009

Other Findings Related to Statutory Reporting (Continued)

- 09-6 **Financial Assurance** - The REIC has demonstrated financial assurance for closure and post-closure care costs by establishing a trust fund as provided by Chapter 567-113.14(6)"a" of the Iowa Administrative Code. The calculation is as follows:

Total estimated closure and post-closure costs	\$ 1,819,000
Less value of the trust fund on July 31, 2008	<u>1,594,190</u>
	<u>\$ 224,810</u>
Projected deposit:	
The above amount divided by the remaining estimated useable life. The remaining estimated useable life is five years. (\$224,810/5)	<u>\$ 44,962</u>

The REIC made a contribution of \$45,000 to the trust fund on June 24, 2009 to complete the required deposit for the year.

- 09-7 **Business Transactions** - Business transactions between the REIC and related parties are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Keith Stanerson, Board Member: Owner - Stanerson Implement	Repair parts	\$ 1,894
Gary Edwards, Board Member:	Used pickup truck	\$ 500
Richard A. Heller, son of REIC Director, Richard D. Heller: Owner - Owl Technology	Computer repair and parts	\$ 2,986

The transactions with Mr. Stanerson do not appear to represent a conflict of interest. Repair parts are purchased based on best price available.

The transaction with Mr. Edwards does not appear to represent a conflict of interest. The amount of the transaction was less than \$1,000 and the purchase price was based on estimated residual/salvage value.

The transactions with Mr. Heller do not appear to represent a conflict of interest. Computer repairs and parts are purchased based on best price available.